



# Connections

News from the Connecticut District Office

April, 2004

Marie A. Record, District Director

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**All of the SBA's programs and services are provided to the Public on a nondiscriminatory basis.**

## Lending News

**Greta Johansson, Deputy District Dir.**

Hello, partners. The loan volume as of March 21 shows that you are collectively running about 14% ahead of where you were at this time last year. Excellent Job! Additionally, 22 different lenders have participated on 504 projects.

**Lenders & Partners** meeting at **BankWorld** will take place on Tuesday, April 27<sup>th</sup>. Reminder: LeAnn Oliver, Deputy Associate Administrator in the Washington, DC Office of Financial Assistance is on the agenda, and there is much to discuss. If you haven't seen the new SBA Notices, please sign up for the new list-serve, one of the first options you can choose at [www.sba.gov/banking](http://www.sba.gov/banking).

The following Policy Notice 0000-1727 outlines big changes, including; the lifting of the \$750,000 cap; the increase of the guarantee dollar amount to \$1.5 million; circumstances under which "piggyback" loans are allowed; and the *SBAExpress* loan limit raise to \$2 million. That's right \$2 million. So why is it again that you haven't applied to be an express lender?

## SBA Policy Notice 000-1727

### Changes to the 7(a) & 504 Programs as a result of new legislation

On April 5, 2004, H.R. 4062, which provides a temporary extension of authorization for certain SBA programs, was signed into law. Some of the most important changes are summarized in this Notice. These changes are effective starting on April 5, 2004, and expire on September 30, 2004, unless extended by subsequent legislation.

#### 7(a) Program Changes

As a result of this legislation, SBA will be able to provide approximately an additional \$3 billion (for a total of approximately \$12.5 billion) in 7(a) loan guarantees through the end of this fiscal year.

The following is a summary of the 7(a) program changes that take effect immediately.

#### Loan Amount

1. Pursuant to this Notice, the temporary \$750,000 loan cap imposed by Policy Notice 5000-902 dated December 30, 2003 and which took effect on January 8, 2004, is lifted. The limit on the gross amount of a 7(a) loan once again is \$2.0 million, under section 7a)(3)(A) of the Small Business Act ("Act").

2. H.R. 4062 temporarily increases the loan guaranty limit under section 7(a) (3) (A) of the Act from \$1.0 million to **\$1.5 million**. (For example, a \$2.0 million loan may now have a 75% guaranty.) This increase in the loan guaranty limit applies to loans approved on or after April 5, 2004 and through and including September 30, 2004.

#### **Lien Position/Combination Financing**

1. Pursuant to this Notice, the portion of Policy Notice 0000-1709 dated January 13, 2004, which temporarily prohibited the piggyback loan structure (see SOP 50 10 4, Subpart A, Chapter 2, paragraph 4(g)(3)) from qualifying for a 7(a) loan, is rescinded.
2. H.R. 4062 also creates a temporary new term, "Combination Financing," to describe a type of financing commonly known as "piggyback financing". The legislation provides that Combination Financings must meet the following requirements:
  - The financing must be comprised of both a loan guaranteed under the 7(a) loan program and a commercial loan which is not guaranteed by the federal government.
  - The commercial loan may be made by the same participating lender that is making the 7(a) loan or by a different lender.
  - The commercial loan may be (but is not required to be) secured by a lien senior to the lien securing the 7(a) loan.
  - The commercial loan may be made by a PLP lender.
  - The commercial loan amount must not exceed the gross amount of the 7(a) loan.

If a PLP lender is making both the commercial loan and the 7(a) loan in a Combination Financing, the lender must submit the 7(a) loan to the SBA District Office, not the PLP Processing Center, for processing and approval.

#### **Other Requirements for Combination Financing**

In addition to the items above, SBA is establishing the following requirements for Combination Loans:

- The term of the first lien note must be similar to the term of the SBA guaranteed loan, but no less than half the maturity of the SBA guaranteed loan.
- The first lien note must be fully amortizing and may not include a balloon payment.
- The interest rate of the first lien note may be no higher than the interest rate of the SBA guaranteed loan.
- A default interest rate on the first lien note is not permitted.
- No additional fees triggered by a default on the first lien note will be permitted.
- At least 75% of the proceeds of a Combination Financing must be used for real estate and long-term, fixed assets.
- The lien position for the SBA guaranteed loan may be no lower than second position.
- For the purpose of determining the size of the SBA loan, the "project" shall be defined as the total amount financed. It will not include the borrower's down payment or any other items.
- The first lien note must be for a purpose that would be eligible for SBA financing.
- The lender cannot foreclose on the first lien note without foreclosing on the SBA note; therefore there must be a cross default provision in both loan notes to ensure they are treated as one loan.
- Each of these items must be documented in the loan file to expedite review of the case.
- Please refer to SOP 50 10 (4) (E) Chapter 2 (Business Loan Eligibility), Paragraph 4 (Utilization of Personal Resources) (d) (3) through (9).

#### **Guarantee and Annual Fees**

1. If the commercial loan has a senior credit position to the 7(a) loan, a one-time fee equal to **0.7 percent of the amount of the commercial loan** is to be paid to SBA. This fee shall be paid by the SBA participating lender, and must be remitted when the up-front guarantee fee is paid. This fee may not be passed on to the borrower. If the commercial loan is in a shared lien (sometimes known as *pari passu*) or subordinate lien position to the 7(a) guaranteed loan, this one-time fee does not apply.

2. The on-going annual fee on all loans approved on or after April 5, 2004 and through and including September 30, 2004, is **increased to 0.36 percent** from the 0.25 percent previously allowed under section 7(a) (23) of the Act.
3. For loans approved on or after April 5, 2004 and through and including September 30, 2004, lenders **are not permitted to retain 25 percent** of the up-front guarantee fee on loans with a gross amount of \$150,000 or less (as previously allowed under section 7(a)(18)(B) of the Act), but rather must remit the full amount to SBA.
4. For loans approved on or after April 5, 2004 and through and including September 30, 2004, an additional up-front guarantee fee equal to **0.25 percent of the amount by which the guaranteed portion of the loan exceeds \$1.0 million**, must be paid to SBA.

#### **SBA Express Program Changes**

1. SBA Express lenders may now approve SBA Express loans up to **\$2.0 million** (gross amount) using existing SBA Express procedures.
2. SBA will continue to accept applications for new participants in SBA Express and will continue to handle renewals under the current procedures.
3. The legislation does not change the current policies and procedures governing Export Express or Community Express.

#### **Policy Waivers**

The Associate Administrator for Financial Assistance is hereby delegated the authority to waive the requirements not specifically contained in the statute.

#### **504 Program Changes**

The legislation extends SBA's authority to collect certain fees with respect to 504 loans, through September 30, 2004.

We plan to issue a separate notice addressing procedural issues raised as a consequence of the legislation. SBA District Offices with questions on this notice may direct their questions to Jim Hammersley,

Director, Office of Loan Programs at james.hammersley@sba.gov. Lenders are directed to forward questions to the local SBA field office.

This notice was announced April 7, 2004.

## **Get to Know Your Connecticut District Office Staff**

*Harvey Morrison*  
*Economic Development Specialist*



Harvey Morrison is an Economic Development Specialist in the Connecticut District Office with primary responsibilities for reviewing loan

guarantee requests from Connecticut Lenders. Harvey started with SBA in Hartford in March of 1997, and just recently celebrated his seventh year assisting Connecticut's small businesses. In addition to reviewing loan guarantee requests, Harvey heads up the Connecticut District Office Pre-Qualification Loan Program. This activity involves working with Intermediaries throughout Connecticut. Harvey's responsibility is to retain, train, and counsel Intermediaries and ultimately review loan requests for SBA guarantee approval. Harvey is also the Office's Veteran Business Development Officer and works closely with other veteran organizations around the state.

Harvey participates in the military's Transition Assistance Program for service men and women who are departing the military. Harvey speaks to Navy personnel at the Groton Sub Base monthly on owning your own business. Harvey says that working with Connecticut's Veterans is a special privilege and one he thoroughly enjoys. Harvey also teaches workshops in financing small businesses for SCORE chapters, the Hartford Women's Business Center, and teaches classes in business financing for the Hartford College for Women's Entrepreneurial Center. Harvey holds an accounting degree from American International College and an MBA from Western New England College, both in Springfield, MA. Prior to joining SBA, Harvey served 8 years with the FDIC assisting with bank closings in New England and previously held banking and accounting positions in the Springfield, Ma area. Harvey lives in East Longmeadow, MA with his wife Jacqueline. They are the parents of four children and four grandchildren.

*Get to Know cont.*

## **Jessica Rivera**

*Administrative Support Assistant*



Jessica Rivera has been with the U.S.SBA for 7 years. Jessica currently serves as the bilingual contact and says "she is committed to helping the minorities and

others in the community."

Jessica has worked in several areas within the Connecticut District Office as a file clerk in Portfolio Management, and as receptionist for Business Information Center (BIC). Jessica enjoys working in Business Development, along with the ED Specialist in the planning and preparations of monthly Government Contracting Business Workshops and Matchmaker events.

Jessica has earned numerous awards and recognition for her hard work and hopes to own her own business someday utilizing the skills she has acquired through her work. Jessica resides in Bloomfield with her husband Mario and two sons.

## **Bernard (Bernie) Sweeney**

*Economic Development Team Leader*



Bernie has been with SBA almost 19 years starting as an Economic Development Specialist in the Springfield (MA) Branch Office. He came to Connecticut 6 years ago as the Team Leader

for Entrepreneurial Development for the Connecticut SBA District Office. His duties include all aspects of Marketing and Outreach as well as loan underwriting and liaison with SBA participating banks.

Before coming to SBA he was self employed as a Financial Consultant specializing in Gap-Financing. Some of the projects he worked on were the Denver Mint; Old Savanna Georgia Historical Restoration Project; Monarch Tower, Springfield Massachusetts and multi-family housing in Jupiter Beach, Florida.

Bernie worked for five years in Washington D.C. during the Reagan Bush Administration and held several high-level management positions both in the government and the private sector. He is a graduate of American International College. He has taught small business management courses at several colleges and universities in Massachusetts. In 1982 he was listed as one of the top young executives in America under the age of 35 by Who's Who in America. He is married and has one son and lives in Longmeadow, MA.

## **Upcoming Events**

- |            |           |  |
|------------|-----------|--|
| <b>Apr</b> | <b>27</b> | BankWorld & Lenders & Partners Meeting<br>Registration 8:00 a.m.<br>Radisson Hotel, Cromwell   |
| <b>May</b> | <b>13</b> | Monthly 8(a); BD/SDB; and HUBZone<br>Workshop 10:00a.m. – 11:00a.m.<br>at 330 Main St. 2 <sup>nd</sup> Floor, Hartford, CT<br>For more information contact<br><a href="mailto:kathleen.jennings@sba.gov">kathleen.jennings@sba.gov</a> |
| <b>May</b> | <b>14</b> | Monthly How to do Business with the Federal<br>Government Workshop<br>Gateway Community College<br>60 Sargent St. Rm. 207B.<br>For more information contact<br><a href="mailto:bernard.sweeney@sba.gov">bernard.sweeney@sba.gov</a>    |
| <b>May</b> | <b>22</b> | PCSW 15 <sup>th</sup> annual Women in the Trades<br>& Nontraditional Occupation Conference   |

Check out our website for other ongoing seminars and workshops for small business [www.sba.gov/ct](http://www.sba.gov/ct)

## **SBA SUCCESS STORIES**

We are looking for success stories. If you or someone you know has benefited from SBA assistance, we would like to hear from you. We are interested in businesses that have been operating for 3 to 5 years, have 15 or more employees, and have received helpful assistance through an SBA loan program or service, or through one of our resource partners i.e., SCORE, CSBDC, WBC, etc. We would like to promote some of the successful businesses that have been assisted through the Connecticut District Office.

If you know of a business that fits these criteria please contact Debra Dillon at (860) 240-4700 ext. 242 or email [Debra.Dillon@sba.gov](mailto:Debra.Dillon@sba.gov).



**CONNECTICUT DISTRICT OFFICE  
FY 2003 LOAN VOLUME BY LENDER  
AS OF 3/31/04**

Citizens Bank	162	\$6,453,000
Fleet National Bank	86	\$4,871,200
Webster Bank	41	\$5,793,000
Capital One, FSB	38	\$1,390,000
BankNorth, NA	30	\$4,152,000
CIT Small Business Lending Corp.	21	\$7,649,200
Peoples Bank	19	\$4,149,000
Commercial Loan Partners	16	\$7,463,000
Thomaston Savings Bank	15	\$ 627,600
Fairfield County Bank Corp	14	\$1,575,000
Connecticut Community Investment Corp.	11	\$4,064,000
Cornerstone Business Credit	10	\$4,347,000
Hudson United Bank	9	\$1,802,500
Sovereign Bank	9	\$1,075,000
JP Morgan Chase Bank	9	\$ 650,000
First County Bank	8	\$ 875,750
UPS Capital Business Credit	7	\$4,155,000
Wachovia SBA Lending, Inc.	7	\$1,279,500
Housatonic Industrial Development Corp.	5	\$2,513,000
Rockville Bank	5	\$ 755,000
The Simsbury Bank	5	\$ 735,000
Farmington Savings Bank	5	\$ 570,000
Essex Savings Bank	5	\$ 528,000
Union Savings Bank	5	\$ 312,000
Apple Valley Bank & Trust	4	\$1,704,000
The Washington Trust Company of Westerly	4	\$1,117,000
New Haven Savings Bank	4	\$ 500,000
Business Loan Center, Inc.	3	\$3,503,000
Commerce Bank, N.A.	3	\$1,338,000
Newtown Savings Bank	3	\$1,005,000
Newmil Bank	3	\$ 700,000
Northwest Community Bank	3	\$ 255,000
HSBC Bank USA	3	\$ 200,000
Bank of Western Massachusetts	3	\$ 159,000
Pitney Bowes Credit Corporation	2	\$1,930,000
Connecticut Business Development Corp.	2	\$1,224,000
GE Capital Small Business Finance Corp.	2	\$ 715,000
Business Lenders, LLC	2	\$ 480,000
Valley National Bank	2	\$ 280,000
Independence Bank	2	\$ 205,000
Savings Bank of Danbury	2	\$ 85,000
Citibank (West) FSB	2	\$ 30,000
The First National Bank of Suffield	1	\$ 625,000
Comerica Bank – Texas	1	\$ 542,000
Enfield Federal Savings & Loan Association	1	\$ 517,000
Canaan National Bank	1	\$ 422,000
Savings Bank of Manchester	1	\$ 360,000

Temecula Valley Bank, N.A.	1	\$ 336,000
Prime Bank	1	\$ 330,000
The First National Bank of Litchfield	1	\$ 202,000
Valley Bank	1	\$ 200,000
Bank of Southern Connecticut	1	\$ 165,000
The Community's Bank	1	\$ 150,000
Salisbury Bank & Trust	1	\$ 150,000
Connecticut River Community Bank	1	\$ 100,000
Warwick Savings Bank	1	\$ 50,000
Castle bank	1	\$ 35,000
<b>TOTAL</b>	<b>606</b>	<b>\$87,398,750</b>

The following list represents lenders providing first position financing in participation with 504 projects, with the 504 debentures included in the above list under the CDCs.

<b>504 Loans</b>		<b>SBA Portion</b>	<b>Total Project</b>
CIT Small Business Lending Corp.	5	\$3,107,000	\$7,852,550
Webster Bank	5	\$1,094,000	\$3,012,500
Fleet Bank	3	\$2,358,000	\$5,790,000
Peoples Bank	2	\$1,229,000	\$4,211,000
Rockville Bank	2	\$1,135,000	\$2,744,500
GE Capital Corp.	1	\$ 778,000	\$1,907,100
Hudson United Bank	1	\$ 757,000	\$1,834,100
Bank of Western Massachusetts	1	\$ 723,000	\$2,100,000
Hampden Savings Bank	1	\$ 695,000	\$2,036,000
NCB, FSB	1	\$ 377,000	\$ 909,200
First National Bank of Litchfield	1	\$ 313,000	\$ 754,000
Newtown Savings Bank	1	\$ 311,000	\$ 750,000
Thomaston Savings Bank	1	\$ 309,000	\$1,000,000
Enfield Federal Savings Bank	1	\$ 295,000	\$ 710,000
Liberty Bank	1	\$ 286,000	\$ 700,000
Essex Savings Bank	1	\$ 258,000	\$ 620,000
Dime Savings Bank of Norwich	1	\$ 242,000	\$ 775,300
Jewett City Savings Bank	1	\$ 202,000	\$ 552,600
Bank of Southern Connecticut	1	\$ 167,000	\$ 400,000
Union Savings Bank	1	\$ 167,000	\$ 398,300
Simsbury Bank	1	\$ 151,000	\$ 360,000
Savings Bank of Manchester	1	\$ 152,000	\$ 360,000
<b>TOTAL</b>	<b>34</b>	<b>\$15,106,000</b>	<b>\$39,777,050</b>

## SBA Corner

### Jeffrey H. Butland, Regional Administrator

In previous columns you outlined the types of loans available through the SBA. Is collateral required for SBA loans, and if so, what type?

As you know, most loans, whether business or personal, usually require some form of collateral and loans guaranteed by the SBA are no different.

The ability to repay a loan from the cash flow of a business is a primary consideration in the SBA loan decision process. However, good character, management capability, collateral and an owner's equity contribution are also important factors.

To adequately secure a loan, you must pledge sufficient assets, to the extent that they are reasonably available. Personal guaranties are generally required from all owners of 20 percent or more of a business. Liens on personal assets of the principals may also be imposed as a requirement of the loan. However, the SBA does not deny approval for an SBA guaranty loan solely due to lack of collateral if this is the only unfavorable factor in the application. It is taken into consideration, along with a number of other factors, in evaluating a loan application.

The SBA Corner focuses on issues about starting or expanding an existing small business. Please direct all inquiries to the Connecticut Office at (860) 240-4700 or visit the SBA web site at [www.sba.gov/ct](http://www.sba.gov/ct).

# SPOTLIGHT ON!

## Connecticut

### SMALL BUSINESS REGULATORY FAIRNESS HEARING

STAMFORD, CT  
MARCH 26, 2004



L to R – James Knott, Reg. Fair Bd.; Leo Blais, Reg. Fair Bd.; Jeffrey Butland, RA, SBA; Marie Record, DD, SBA; DOL Representative.; Peter Sorum, Sr. Advisor, Nat'l, Ombudsman Off.



### MINORITY BUSINESS SHOWCASE

APRIL 8, 2004  
BRIDGEPORT, CT



L to R Sec. of State Susan Bysiewicz, Harland Henry, SOC; Bridgeport Mayor John Fabrizi; Charles Smith, Former NBA Player; Deborah Cavanaugh, Asst. to Mayor



Kathleen Jennings, SBA BOS



Charles Smith, Motivational Speaker and Former NBA Player

## More



New link for the Hartford SBA OWBO-CT Entrepreneurial Center <http://career counselingcenter.org/SBA-OWBO-Ctmain.htm>

SBA 50<sup>th</sup> Anniversary celebration information visit [www.sba.gov/50](http://www.sba.gov/50)

SBA en Español [www.sba.gov/espanol/](http://www.sba.gov/espanol/)

Hartford Economic Development Commission [www.hartforddecodev.com](http://www.hartforddecodev.com)

330 Main Street 2<sup>nd</sup>. Floor  
Hartford, CT 06106-1800

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[www.sba.gov/ct](http://www.sba.gov/ct)

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